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**CONTAINS SENSITIVE
COMPARTMENTED INFORMATION**

November 12, 1955

Mr. Richard Bissell:
Washington 25, D.C.

Dear Dick:

A visit by [] yesterday triggers off this letter which I hope to hand-deliver to you on Wednesday morning.

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Sometime ago Herb asked me to consider making a proposal on rectifying equipment for our current program, as well as one on the more urgent task now confronting Baird Associates. In the latter case I felt that I might actually be hindering progress by attempting such an assignment before having completed Phase I's urgent needs, and hence withdrew except to help on a much smaller scale by advice and committee work.

In the case of the rectifying equipment I feel that this is something my new company can readily accomplish with respect to both optical and mechanical design in the time period beginning around December 1 and continuing through the first half or so of 1956. I shall have a very competent engineer join my staff on December 1 who has had 15 years experience in optical instrumentation, and on January 2 or so, Spica will at last have its own IBM bureau, which will promote efficiency. We already have as subcontractors separate shops in optical fabrication and precision metal work that are the best of the type in the country when combined with Spica's guidance. These are small shops, to be sure, and Spica is small, but the rectifying equipment involves much design and not so much fabrication. A very few units will meet all needs.

As I explained to [] on his problem, Spica is being set up to do specialized tasks such as his, but there remains the possible barrier that I am wearing two hats in being on a guiding committee and a contractor. Dr. Land has also felt this difficulty keenly and it is actually damaging to our mutual interests. In Polaroid's case there is a very substantial outside commercial income. In Spica's case if we use all of our efforts on non-profit work, we simply cannot grow, and have nothing to fall back on in case of trouble. I would have made a proposal earlier on the rectifying equipment, except for such considerations, but now I feel I may actually be retarding the building of equipment that will be badly needed.

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I doubt very much whether Spica's costs are any greater than for other parts of the industry, and there is good reason to believe that our costs will really be lower. Therefore, one way out is for us to work on a cost plus, and best effort basis. Another way out is the one we are currently using, where there is another firm acting as prime contractor with Spica serving as subcontractor on optical design and systems engineering, but this is a good way of increasing costs too.

I wish you would consider what might best be done, and I certainly will follow

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your judgment. Herb has several times turned to me and said that the rectifying equipment is my responsibility. I would gladly assume this responsibility immediately under Spica, but I cannot now help another firm as an individual, unless Spica is a sub-contractor. If we can get started, I think I could relieve you of worries in the rectification problem almost altogether.

[redacted] had another such problem where Spica could really do the whole task in the time period beginning in January and lasting through the summer without appreciable damage to our more important current tasks, provided we can use certain sub-contractors on components. I have spoken since with

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[redacted], for instance, who would be much interested in joining with Spica to come up with the required night photo equipment. We could prepare a proposal and plan to have work started early in January.

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Still another type of problem of much smaller magnitude is the proposal Herb and Phil were both interested in, where I suggested that I could modify a Speed-Graphic camera internally to take a far greater focal length picture on 35 mm film, without affecting the external appearance or apparent use. This is a kind of task that Spica could carry through next spring without damage to other projects.

Herb indicated on several occasions too that either advance payments could be made, if necessary, to expedite matters, or that quick progress payments could be made. These are essential if Spica is to be prime contractor on a cost plus basis. If they are not possible, then it would be better to have some other firm as prime contractor and have do a smaller amount of sub-contracting. The only thing here is that the cross-ties so created cause new conferencing for me, whereas I could better devote my time to the work itself.

Once again, I would like to reiterate that I feel caught between two considerations and do not know how best to proceed, but do feel that the work ought to go on regardless. It may be that cost plus with an unusually small fee is the best compromise, and of course at all times our set-up would be completely open to any amount of inspection and audit.

Sincerely yours,

[redacted]
James G. Baker

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